

M I N U T E S
SCOTTSDALE CITY COUNCIL
CITY COUNCIL MEETING
Monday, March 31, 2003

**The Kiva
City Hall
Scottsdale, Arizona**

MINUTES
SCOTTSDALE CITY COUNCIL
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CALL TO ORDER (IN CITY HALL KIVA FORUM)

Mayor Manross called to order the Regular Meeting of the Scottsdale City Council on Monday, March 31, 2003 in the Kiva, City Hall, at 5:02 P.M.

ROLL CALL

Present:

Mayor Mary Manross
Vice Mayor Ned O'Hearn
Council Members David Ortega, Tom Silverman, Robert Littlefield,
Wayne Ecton, and Cynthia Lukas

Also Present:

City Manager Jan Dolan
City Attorney David Pennartz
City Clerk Sonia Robertson

Pledge of Allegiance

Vice Mayor O'Hearn led the audience in the Pledge of Allegiance.

Invocation

In lieu of an invocation, Mayor Manross recognized city employees who are reservists and have been called to active duty.

Presentations/Information Updates

District System Hearings

Mayor Manross noted that there are two public meetings regarding the District System that will be held Tuesday, April 8, 2003 at the Via Linda Senior Center and Wednesday, April 9, 2003 at City Hall.

Scottsdale Pride Honoree

Chairwoman Chandra Bonfiglio explained that the Scottsdale Pride Committee was established in 1993 to involve the citizens in preserving and enhancing the environment, quality of life, and to obtain certification as a Keep America Beautiful Community. She announced that the committee has nominated Les Conklin as the Scottsdale Pride Honoree.

Mayor Manross explained that Mr. Conklin founded and has served as the head of the Friends of the Scenic Drive organization. She noted that he has been organizing all the clean up efforts, funding, volunteers, etc. to restore and maintain plants along the scenic drive. In addition, Mayor Manross pointed out that Mr. Conklin participated in the development of the Scenic Corridor Guidelines, and has served on both the Scottsdale Pride Committee and the Preservation Commission.

Mayor Manross presented Mr. Conklin with a plaque as the Scottsdale Pride Honoree and in recognition

of his outstanding efforts to preserve and enhance the quality of life in the city.

Les Conklin thanked everyone for the recognition although he stressed that none of the accomplishments would have been possible without volunteers. He then thanked the city for their generous support for the past two years. He announced that as a token of their appreciation, the Friends of the Scenic Drive Board of Directors has named the City of Scottsdale as an honorary Scenic Drive Platinum Plant Parent. As a Platinum Plant Parent, the city will be listed on their website and on a plaque to be installed on May 10 (Plant Parent Day).

Public Comment

Eric Luoma, 8618 E. De La O Road, expressed concern over fiscal responsibility as it relates to forming a municipal fire department. He stated his opinion that citizens should question where the funds would come from and the impact the change would have on the deficit. He noted that forming a municipal fire department would increase costs and reduce the number of firefighters. He urged Council to let everyone know what services would be lost by forming a municipal fire department.

David Hochstrasser, 8346 E. Granada, explained his belief that if a Wal-Mart isn't appropriate on the Los Arcos site, that Council should encourage development of something that provides services the neighborhood needs. He stated that neighbors currently have to drive a distance to access the services that should be provided in the neighborhood.

Louis Hayward, 11685 E. Cortez Drive, explained that he is becoming increasingly concerned about the lack of information being provided to citizens regarding the possibility of forming a municipal fire department. He stated his belief that the current fire service has a great reputation known throughout the United States. He stressed his opinion that forming a municipal department would be a mistake.

Russ Kronzfelder, 8507 E. Mulberry Street, questioned the communication between the city's police department and other departments within the city. He explained that nine months after selling his business and closing his city accounts, the Police Department contacted him about a problem at the site. He wondered why the different city departments don't communicate better.

CONSENT AGENDA

1. **Assignment of the Arizona Aerospace Foundation, Inc. lease for the proposed aircraft museum project to International Fighter Pilots Museum Foundation, Inc., and amend the lease.**

Request: Adopt Resolution No. 6259, approving assignment of lease no. 2001-022-COS for a vintage aircraft museum on airport property at the southeast corner of Scottsdale Road and Thunderbird Road. Arizona Aerospace Foundation, Inc., has requested that the City consent to the assignment of the lease for the proposed museum to International Fighter Pilots Museum Foundation, Inc. In addition, request to amend the lease to extend the completion deadline and include financial performance measures required to be met by the Lessee.

Related Policies, References: Contract No. 2001-022-COS and Resolution No. 5781.

Staff Contact(s): Scott T. Gray, Aviation Director, (480) 312-7735, sgray@scottsdaleaz.gov

2. Assignment of D'Atri's Gourmet Foods, Inc. lease for the airport restaurant and related office space to Blue Fig, L.L.C., and amending the office space lease

Request: Adopt Resolution No. 6260, approving assignment of leases 2000-053-COS and 2001-099-COS with D'Atri's Gourmet Foods, Inc., for the airport restaurant and related office space in the Aviation Business Center. Further, amend the lease for the office space to reduce the number of offices leased. Specifically, D'Atri's Gourmet Foods, Inc., has requested that the City consent to the assignment of the restaurant lease and office lease to Blue Fig, L.L.C. Request also is to amend the office lease to reduce the number of offices leased by the tenant from three (3) to two (2) offices in the Aviation Business Center.

Related Policies, References: Contract No. 2000-053-COS, Resolution No. 5546, Contract No. 2001-099-COS, and Resolution No. 5872.

Staff Contact(s): Scott T. Gray, Aviation Director, (480) 312-7735, sgray@scottsdaleaz.gov

City Attorney Pennartz explained that this item is an assignment of the lease at the airport for the restaurant facility from D'Atri's to the Blue Fig. The lender for the new restaurant has requested that the city's lien be subordinated (go into second position behind their lien) otherwise; they would be unable to fund the transaction.

Attorney Pennartz explained that the city's legal staff was able to reach an agreement on the language with the lender; therefore, staff recommends approval of the request.

3. Renew Executive Search Contracts No. 2001-025-COS and No.2001-026-COS

Request: Authorize one year extensions of executive search contracts: No.2001-025 with The Oldani Group, Inc and contract No. 2001-026-COS with Shannon Executive Search, a division of CPS Human Resource Services (formerly Shannon Associates), with no increase in maximum fees or expenses in either contract.

Staff Contact(s): Daniel E. Schmidt, Human Resources Director, 312-2492, dschmidt@scottsdaleaz.gov

COUNCILWOMAN LUKAS MOVED TO APPROVE CONSENT ITEMS 1, 2 (AS AMENDED), AND 3. COUNCILMAN SILVERMAN SECONDED THE MOTION WHICH CARRIED 7/0.

SPECIAL PRESENTATION ITEM 4

4. Presentation of 2003/04 – 2007/08 Capital Improvement Plan and Bond Commission Recommendations.

Craig Clifford, Finance Department, presented the following information in the form of a slide presentation.

**City of Scottsdale
Proposed FY2003/04
Capital Improvement Project Budget
FY2003/04 Proposed Budget**

- Issues:
 - Decreasing or flat revenue forecast
 - Need to absorb increasing operating costs
- Objectives:
 - Continue to invest in our community, and
 - Minimize the service impacts to our citizens

**Capital Improvement Project Budget
Budget Process**

Staff asked to re-justify majority of projects:

- City council and community priorities
- Operating impacts over the long-term
- Construction activity timeframes w/other projects
- Feasibility of successful implementation
- Implications of deferring projects
- Cash flows and bond funding requirements
- Appropriateness of funding source(s)

**Capital Improvement Project Budget
Key Program Changes**

- More realistic expectations
 - Some projects not included in five year plan horizon
 - To be included when/if priorities and financial forecasts improve
- Continuation of many projects
 - Take advantage of favorable bond market
 - Deferring projects with significant operating impacts
- Proposed policy change
 - Up to 40% of .2% transportation sales tax used for operating costs of transportation improvements
- Administrative changes
 - Improved cash flow management by moving (where feasible) to single funding source to track cash flow requirements much closer, and to
 - Improve planning of bond issuances, federal arbitrage compliance and citizen property tax impacts

**Capital Improvement Project Budget
Expected Outcomes**

- Continued investment in the City's basic infrastructure and public facilities
 - Combined with careful analysis of their operating cost impacts
- Reduction in General Fund subsidy to the Highway User Revenue Fund
 - Could eliminate subsidy by year five

- Relatively level property tax rate estimated for the next five years
 - \$1.10 per \$100 assessed value estimated for FY2003/04
 - Current FY2002/03 rate is \$1.15 per \$100 AV

**Major Program Areas -
Capital Project Budget FY2003/04**

- Neighborhoods/Community Facilities \$77.5M 15%
- Preservation \$70.9M 14%
- Neighborhood Drainage & Flood Control \$ 9.7M 2%
- Improvement Districts \$16.9M 3%
- Public Safety \$14.7M 3%
- Technology & Facilities/Maintenance \$13.2M 3%
- Transportation \$119.2M 24%
- Water/Sewer \$183.0M 36%
- Total Proposed Capital Project Budget: **\$507.6M**
- Includes \$303.8M for re-budget of prior year projects not yet completed

**Meeting Tomorrow's Needs -
Capital Project Budget**

	FY03/04	5 Yr Plan
Number of projects requested	273	342
Number of proposed projects	239	279
Number moved to 'other needs' list	10	63
Number of active projects (rebudget of \$303.8M)	160	160
Number of inactive projects (yet to be started)	79	119

**Meeting Tomorrow's Needs -
Capital Project Budget**

- Geography of Projects:
 - 25% for facilities that serve the entire city
 - 27% for facilities south of Shea Blvd.
 - 41% for facilities north of Shea Blvd.
 - 7% for McDowell Sonoran Preserve
- Type of Projects:
 - 58% for new / enhancement projects
 - 42% for repair / replacement projects

Meeting Tomorrow's Needs - Capital Project Budget

- Source Capital Project Funding:

– .2% Transportation Sales Tax	\$35M	7%
– .2% Preservation Sales Tax	\$69M	14%
– Water Sewer Devel. Impact Fees	\$57M	11%
– Water/Sewer User Fees	\$112M	22%
– 2000 Bond Authorization *	\$101M	20%
– MPC Debt	\$35M	7%
– General Fund	\$42M	8%
– Contributions, grants or other	\$56M	11%
– Total Funding	\$507.6M	
- Proposed Bond Plan approved by Citizen Bond Commission on March 6th: Mr. Steve Sagert, Chairman of Bond Commission.

Mr. Clifford introduced Steve Sagert as the Chairman of the Bond Review Commission. Mr. Sagert explained that the citizens of Scottsdale authorized six ballot propositions. They included bond money for park and library improvements, neighborhood flood control, scenic corridor and preservation, revitalization, public safety facilities, and transportation improvement. He noted that municipal service facilities, community housing, and a West World land acquisition were defeated. He urged Council to implement the voter's desires.

Mr. Clifford continued with his presentation as outlined below.

Funding Impacts - Citizens Capital Project Budget

- Water/Sewer User Fees - \$1.58 or 2.3% average residential bill change proposed (a portion used for operating expenses)
 - Continue to set aside funds to address capital plan and mandated arsenic and DBP impacts
 - Deferral proposed water/sewer MPC debt issuance till 2004/05 after arsenic pilot project completed and amount and timing of debt are more certain
- Airport User Fees - \$1.00 per 1,000 lbs. transient landing fee increase proposed (a portion used for operating expenses)
 - Maintains fund self reliance without need for General Fund subsidy
 - Anticipates less funding available from Fed and State grants for rehabilitation and enhancement projects
- 2000 Bond Authorization - \$1.10 per \$100 assessed value estimated for FY2003/04, relatively level property tax rate estimated for the next five years
 - Some project deferrals due to operating impacts
 - Proposed Bond Plan approved by Citizen Bond Commission on March 6th

Funding Impacts - Other Capital Project Budget

- Water Sewer Devel. Impact Fees - 2.4% rate change proposed based upon Construction Cost Index
 - Master plan update and complete fee analysis performed every other year
 - No change to projects
- General Fund - Lower contribution than in past years
 - Some project cost reductions and deferrals proposed due to economic constraints
- .2% Transportation Sale Tax – Policy change proposed to provide portion of tax towards transportation improvement operating costs
 - Some project deferrals due to operating costs and economic constraints
- .2% Preservation Sales Tax - no change
- Contributions, grants or other sources – no change

In response to questions from Mayor Manross, Attorney Pennartz explained that the use of the .2% transportation tax funds are restricted to transportation purposes; however, is not specifically restricted to capital projects only as has been Council's policy decision in the past. The funds would be able to be used for operating purposes as long as it was used for transportation uses.

Mr. Clifford confirmed for Councilman Littlefield that staff has suggested the policy change for the .2% transportation tax to take pressure off of the general fund. Through careful analysis, staff has determined that most of the transportation projects could be continued using the Bond 2000 as well as the .2% sales tax flows while using some of the tax to offset operating costs associated with transportation improvements. He also confirmed that, although this action would be legal, it would be illegal to divert money from the bond fund for this purpose.

What It Means for Citizens/Community- Capital Project Budget

- Most existing projects will continue
 - Continued investment in the City's basic infrastructure and public facilities
- Deferral of some projects due to operating impacts and/or construction timing

- Careful analysis of project operating cost impacts
- Improved cash flow requirement planning
- Greater restraint on new project additions
- Adapting the capital program to financial plan less dependent on growth revenues (sustainability)

**What it Means for the Operating Budget –
Capital Project Operating Impacts**

2003/04	2004/05	2005/06	2006/07	2007/08	Future*
0	\$.5M	\$2.1M	\$4.1M	\$5.3M	\$8.6M Add'tl

*Projects deferred are those considered to be of lesser priority and/or we cannot afford to absorb the operating impacts of at this time (primarily General Fund impacts). This does not mean we do not intend to complete the projects – remaining projects will be kept on a pending projects list, to be incorporated in a later year when our financial forecasts improve.

Operating Budget Workstudy scheduled for April 7th, 5:00pm

**Neighborhoods/Community Facilities-
Capital Project Budget Highlights**

- Delayed due to operational impacts:
 - Appaloosa Library Bond 2000
 - Arabian Library (Phase II) Bond 2000
 - Grayhawk Community Center Bond 2000
 - Chaparral Park Extension General Fund
- Projects to continue:
 - CAP Basin Lighted Sports Complex Bond 2000, Grant
 - Civic Center Senior Center Replacement Bond 2000
 - McDowell Mtn. Park & Aquatic Center Bond 2000
 - Trail Development and Acquisition Bond & GF
 - Aging Park Facility Renovations, Playground Equipment, Sports Lighting and Park Equipment Replacement Bonds & GF

In response to questions from Councilman Littlefield, Ortega and Councilwoman Lukas, Mr. Clifford explained that projects that are earmarked for delay have been taken out of the city's five-year plan. Since capital planning is dynamic, all the projects are reassessed annually. Mr. Clifford also explained that some money would be spent this fiscal year (03/04) on designing the Chaparral Park extension, while construction would begin in fiscal year 04/05. Mr. Exham confirmed that the dog leash area would remain open during the construction phase.

Councilman Ecton recognized that there are additional operating costs associated with the library projects; however, he stressed his belief that these facilities are vital to the community. He wondered why the trail system would take precedence over library projects. Mr. Clifford explained that the costs associated with the city's trail system would be primarily used for land acquisition. Ms. Dolan explained

that the library projects are being re-evaluated to see if some of the projects could be consolidated in an area that would better serve the community and operate more efficiently.

Neighborhood and Community- Capital Project Budget Highlights

- Projects to continue:
 - Downtown Canal Bridge(s) & other upgrades Gen Fund
 - LoLoma District Museum GF, Bed Tx
 - Scottsdale Papago Streetscape Gen Fund
 - Scottsdale Road Preservation & Streetscape Bond 2000
 - Westworld Land Acquisition & other upgrades Gen Fund
- Project change:
 - Civic Ctr. Mall Expansion to Gen Fund
 - Downtown Reinvestment Bond 2000

Mr. Clifford explained for Councilman Silverman that the project that was approved a few years ago to cover a walkway at West World was to be funded with interest money that did not materialize. Ms. Dolan explained that staff would check on the status of the project; however, she believed it was placed in the five-year plan for capital projects. She stressed that there are no guarantees that the projected revenues will materialize.

Councilman Littlefield questioned if the acquisition of the state land for WestWorld could be delayed rather than proceeding with the purchase this coming year. Mr. Clifford explained that the city is working with the State Land Department to determine the acquisition date. The city is looking to pay off the existing MCP debt so the revenue stream that currently pays for existing debt could be used to refinance the acquisition. He clarified that the money for this project wouldn't originate from a General Fund transfer. Ms. Dolan clarified that sometimes, for accounting purposes, other funds may flow through the General Fund although it wouldn't be actual General Fund tax dollars.

Preservation - Capital Project Budget Highlights

- Project to continue:
 - McDowell Sonoran Preserve Preserve Tax Bonds
 - Hidden Hills Trailhead Amenities Bond 2000
- Neighborhood Drainage and Flood Control Capital Project Budget Highlights
- Projects to Continue:
 - Floodplain Acquisition Bond 2000
 - Granite Reef Watershed Area Gen Fund & FCD
 - Camelback Corridor Drainage Gen Fund
 - McDonald Drive Corridor Bond 2000
 - Neighborhood Stormwater Mgt. Gen Fund & Bonds
 - Scottsdale Rd. Bridge – Indian Bend Bonds
 - Upper Camelback Wash Watershed Gen Fund & Bonds
 - Projects added:
 - East Union Hills Interceptor Gen Fund
 - Pima Road Drainage System Gen Fund

In response to questions from Councilwoman Lukas, Mr. Dreska confirmed that the Scottsdale Papago Streetscape will be completed next year. Currently various segments of the project are in the design phase. The construction bid award for a small section of the project in connection with The Republic West development will be brought before Council within the next 30 days. The next focus would be on the Granite Reef to Hayden segment.

Public Safety - Capital Project Budget Highlights

- Projects delayed due to operating impacts:
 - District 1 Patrol Station Bond 2000
 - Helicopter Air Support Unit Bond 2000
 - Police/Fire Training Facility (phase 2) Bond 2000
- Projects to continue:
 - Fire Stations #810, #811, #813, #817, #818, #820, #827, remodel, expansion and equipment Gen Fund
 - Police Portable Radio Replacement Gen Fund
 - Police Operational Support Building Bond 2000
- New projects added:
 - Fire Stations #809 Southwest Quadrant Gen Fund
 - Fire Station #826 Jomax & Scottsdale Gen Fund
 - Police Records Mgt. & CAD Sys. Replacement Gen Fund

Acting Police Chief Rodbell verified that he supports placing the Police Operational Support Building on the priority list above the training facility. He further explained that the support building would allow the department to free up space by moving the lab and property evidence area to the new building.

Technology & Municipal Facilities/Maintenance-Capital Project Budget Highlights

- Projects to continue:
 - Automate Criminal Justice/Case Mgt. Gen Fund
 - Utility Billing System Replacement User Fees
 - Network, PC, Server, Replacement Gen Fund, Fees
 - Facility Repair & Maintenance Gen Fund
 - SCA Improvements & Upgrades Gen Fund
 - Fleet Lift Replacement Fleet Rates
 - McKellips Service Center Gen Fund/Fleet
- New projects added:
 - Public Safety Radio Study Gen Fund
 - Document Management System(s) Gen Fund, Fees

Transportation - Capital Project Budget Highlights

- Projects delayed due to operating impacts/priorities:
 - Loop 101 ParknRide Bond 2000 & Trans Tax
 - Mustang Transit Center Bond 2000
 - Transit Technology (portion) Trans Tax
 - Shea Blvd Improvements Trans Tax
- Projects to continue:
 - Aviation Noise Exposure Maps Aviation & Grants
 - Airport Pavement Replacement Aviation & Grants
 - Airport Kilo Ramp & Service Road Aviation & Grants
 - Bikeways & Sidewalk Improvements Trans Tax & Bonds

In response to questions from various Council members, Mr. Little clarified the following information:

1. Sweetwater and 96th Street project – The roadway is currently comprised of a conglomeration of various size lanes. The project includes resizing the roadway so the lanes are consistent and improving intersections. Three mailings of 10,700 each were sent to area residents regarding this project and various public meetings were held. In addition, the project was discussed at a Transportation Commission meeting. He noted that many of the residents in support of the project saw the improvements as supporting the character of the neighborhood and facilitating traffic. They were aware of the costs involved with the project.
2. Funding for Traffic Calming - The proposed budget would maintain existing funding but would not increase it.
3. Express Bus Routes 510 & 512 – A series of public meetings will be held beginning with the Transportation Commission meeting on April 17. The city is trying to ensure that people have an opportunity to comment regarding the proposed changes. Route 510 has been getting a lot of attention from citizens. The city would be cutting back some of the trips on the express routes. Local service from McCormick Ranch to downtown Phoenix would continue. The city is trying to help residents understand that if the service they use is cut, there are other options available to them.
4. Rubberized Asphalt – The cost of installation of rubberized asphalt from McKellips to McDonald (approx. 6 miles) is \$2 million and will be repaid to the city by ADOT in a future year. Ms. Dolan confirmed that the funds to repay the city are dedicated funds.

Transportation - Capital Project Budget Highlights

- Projects to continue:
 - Hayden Road Improvements Trans Tax, Bonds
 - Indian School Road Improvements Trans Tax, Bonds
 - Scottsdale Road Improvements Trans Tax, Bonds
 - Pima Road Improvements Trans Tax, Bonds
 - Intelligent Transportation System Trans Tax, Bonds
 - Neighborhood Traffic Management Trans Tax, Bonds
- New projects added:
 - Stacked 40s Roadways Trans Tax
 - Rubberized Asphalt Overlay Trans Tax/ADOT

Water and Sewer - Capital Project Budget Highlights

- Projects to continue:
 - Booster Station Upgrades Impact Fees
 - CAP Plant Expansion Impact Fees
 - Water & Sewer Oversizing Impact Fees
 - Master Plan Update Impact Fees
 - Water Right Acquisition Impact Fees
 - 91st Ave. Sewer Plant Upgrades & Expansion Rates & Fees
 - Chaparral Water Treatment Plant Rates & Fees
 - Arsenic Removal Mitigation User Rates/Bonds
 - Waterline Replacements User Rates
 - Water Quality Improvements User Fees

In response to a request from Mayor Manross, Mr. Clifford presented the following information:

April 7th – Workstudy session re: operating budget

April 17th – Public Hearing on transit related items

May 5th – First public hearing on the proposed budget (Citizen Budget Review Committee will present their report)

May 19th – Second public hearing on the proposed budget with tentative adoption

June 2nd – Adoption of the budget

Mr. Clifford clarified for Councilwoman Lukas that the \$752,000 for neighborhood funding partnership as proposed for the 03/04 budget has some commitments on it totaling approximately \$300,000. The remainder of the money would be used for next year and beyond. Since it is a general funded project, each year the project would be reviewed to determine funding.

Councilman Littlefield questioned staff's recommendation to fund Civic Center improvements from bond money. Mr. Clifford explained that during the Bond 2000 election, there was one proposition that failed relating to municipal facilities. At the time the ballot propositions were compiled, there were some related projects that were placed in two ballot propositions due to differences in debt limitations. One was for the construction of municipal buildings, which failed. The other projects were placed in the other ballot proposition relating to neighborhood and community projects. Staff proposed that the Civic Center improvements project be reclassified since the money was intended to enhance park related projects in the downtown area. City Attorney Pennartz confirmed that the reclassification would be legal. He further clarified that when the bond projects are put out to the voters, the specific maximum amount of money and purposes are identified. The individual projects are not voted up or down by the voters.

In response to additional questions from Councilman Littlefield, Assistant City Attorney Roger Klingler explained that the city has been successful in securing some grant money for removing arsenic from ground water. Although staff will continue in their efforts to secure funding, the outlook for securing additional federal funding is bleak.

*****5. Consider options for the development of the former Smitty's site**

Request: Accept request by Trend Homes for the termination of their "exclusive right to negotiate" period relating to the redevelopment of the former Smitty's site at the northwest corner of McDowell and Granite Reef; and

Consider options and potentially give staff direction on next steps for the Smitty's site.

Staff Contact(s): David Roderique, Economic Development General Manager, 480-312-7601, droderique@scottsdaleaz.gov; Laurel Edgar, Revitalization Manager, 480-312-7313, ledgar@scottsdaleaz.gov

Dave Roderique, Economic Vitality, introduced this item for discussion with a slide presentation that has been outlined below.

GRANITE REEF & McDOWELL ROAD REVITALIZATION

Options to Move Forward with Private Development Portion of Site

RFP PROCESS

- October 11, 2002 RFP Mailed Out
- December 10th, 2002 5 Proposals Received
- December/January Staff Reviews
- January 13, 2003 Neighborhood Open House
- January 21, 2003 Council Selects Trend Homes
- March 27, 2003 Trend Homes Withdraws

Council Options

- Choose One of the Other RFP Respondents
 - Community Services of AZ./Campbell-Houge
 - Pulte Homes
 - The RED Group
- Ask Respondents to Modify Submittals
- Begin a New RFP Process
- Sell Property
- Hold Site for Future Development after Senior Center/Theater are built

A. Choose RFP Respondent

Choose one of the other 3 RFP respondents who are still interested in working with the City

- Community Services of AZ/Campbell-Houge
- Pulte Homes
- The RED Group
- Fastest process -- sign a new "Exclusive Right to Negotiate" for a 4 month period (through 8/25/03)
- Known products and responses

Community Services of Arizona/Campbell Hogue & Associates, Inc. & A&C Properties

- 160 senior, medium-income, rental units with optional service package
- 15,000 to 18,000 sq ft Retail
- \$1,470,000 cash upfront plus small annual lease payments

Pulte Homes Corporation

- 72 for-sale single-family homes, 1 & 2 story
- Average sales price of \$174,000
- Will pay \$1,776,640, plus \$140,000 towards offsites

RED Group LLC and Southwest Retail Group, Inc.

- 200 senior, independent living apartments, 2 & 3 story
- 10,000 sq. ft. of neighborhood/ convenience retail
- Will pay \$3,230,000 plus \$120,000 towards costs for shared recreational amenities

B. Modify Proposals

Go back out with minor modifications to the original RFP terms and conditions

- Return to Council in about 3 months
- Council needs to provide consensus on new parameters
- Should be sent out to all developers on the original RFP mailing lists
- Unknown number & quality of responses

C. New RFP Process

Begin an entirely new RFP process

- Return to Council in about 6-7 months
- Council must agree on new parameters
- New parameters may bring new developers to the table
- Unknown number & quality of responses
- Need to determine if the City wishes to move forward with balance of site (Senior Center, Stagebrush)

D. Sell Property

Sell property through regular public bidding process; let market determine ultimate uses

- Timeframe of 4-6 months
- City should determine if any zoning changes should be will be done before sale
- Less control of development issues and long term relationship with City buildings

E. Hold Site for Future

Hold the property for future development when market conditions have improved

- Cash not returned to City for some time
- Lose ability for campus environment
- Gives time for Senior Center development to happen and improve site

- Allows for economy and general real estate market to improve

Tonight's Council Action

- Accept termination by Trend Homes
- Direct staff on options for moving forward
 - Choose one of the other RFP respondents
 - Community Services of AZ/Campbell-Houge
 - Pulte Homes
 - The RED Group
 - Ask respondents to modify submittals
 - Begin a new RFP process
 - Sell property through public bid process
 - Hold site for future development

Mayor Manross opened public testimony.

Frank Boggs, 8255 E. Monte Vista, congratulated Trend Homes for withdrawing their proposal and various Council members for supporting senior housing on the site. He felt that quality senior housing would revitalize the area and urged Council to place senior housing on the site.

Nancy Cantor, 2529 N. 86th Street, thanked staff for working with the community. She stated her belief that senior housing would be wonderful on the site. She felt strongly that the site should also provide retail for the neighborhood. She suggested that the city start using part of \$6 million that was designated to improve the McDowell corridor redevelopment.

Gladys Olson, 7312 E. Palm Lane, gave the brief history of her involvement with the planning for the former Smitty's site. She listed various statistics indicating the need for senior housing on the site. She felt this is a wonderful opportunity for the city to create an environment that is compatible with senior's life style.

Jodi Paulsen, 8630 E. Dianna Drive, explained that she has been in contact with approximately 1,500 citizens that support senior housing on the former Smitty's site. She questioned why Council isn't considering building a senior campus so seniors could live on the site and walk to the senior center. She felt this is a great opportunity to set an example. She noted that seniors would be great neighbors and wish to free themselves of ownership problems. She expressed her belief that it is time to move forward.

Debbie Andrade, 3707 N. Hayden Road, stated her support of the RED Group's proposal.

Paul Klink, 6991 E. Camelback Road, spoke as a representative of AVB Development Partners. He explained that his firm was the commercial partner for Trend Homes. He explained that his firm had a plan that staff was comfortable with and stated his belief that, other than the residential component, the plan could still work. Rather than starting the process all over again, he suggested that the city keep the project in tact with the exception of the residential component.

Carol Papalas-Sams, 720 N. 82nd Street, E108, spoke as a representative of the Coalition for a Better Scottsdale. She explained that the community has supported the RED Group's proposal from the start of the process.

Herbert Weinberg, 6505 E. Osborn, #119, stated his belief that the most important thing any government can do is to represent the people with the least ability to take care of themselves. In this case, it is the senior citizens. He stated his support for senior housing on the site.

B.J. Gonzales, 6349 N. Cattletrack Road, asked Council to accept the request by Trend Homes to terminate their proposal. He encouraged Council to make a wonderful project out of the property.

Lyle Wurtz, 6510 E. Palm Lane, pointed out that the paper recently published an article explaining that rental units would do little or nothing to revitalize the area. He explained that properties that deteriorate in neighborhoods are usually rental properties. He questioned what would stop the senior housing from becoming low cost housing in the future. He noted that he likes to see younger people move into his neighborhood since they improve homes and bring life to the community. He urged Council to take their time in making this decision since the issue is too important to rush. He suggested that the city send out a more detailed RFP.

Gene Stegmann, 8208 E. Hazelwood Street, disagreed with the previous speaker about placing senior housing on the site. He explained that seniors don't want to assume another mortgage opting to rent instead. He urged Council to consider giving seniors a chance to downsize into a rental property rather than having the burden of purchasing a home.

Sam West, 8160 N. Hayden, #J-210, requested that Council combine options B and C. He asked the city to take a look at refining the requirements of a new RFP while keeping the current respondents involved in the process. He felt that making a decision on a developer tonight would be a mistake.

Darlene L. Petersen, 7327 E. Wilshire Drive, explained that she was surprised when Council voted on the Trend proposal. She stressed that seniors get tired of all the necessary home repairs; therefore, would like to see senior rentals on the site next to the senior center. She stated her support of the RED Group's proposal. She expressed her belief that the city doesn't write RFP's correctly. She urged Council to support the RED Group's proposal to ensure that a good product is built.

Mayor Manross closed public testimony.

Mayor Manross explained that she supported the RED Group's proposal the first time around; however, worked diligently with Trend Homes, once they were selected by Council, to try to facilitate the project. She stated her belief that this project presents an unusual opportunity to bring this type of development next to the new senior center. She pointed out her support of the Stagebrush Theater also since it is compatible with the other proposed uses on the site. She stressed her opinion that the city should not spend additional time analyzing data since there was a comprehensive public process that was conducted.

Scott Laten, Senior Vice President of the RED Group, explained that he is somewhat astonished by the community support their proposal has received. He stated his belief that senior (rental) housing is still extremely viable on the site. He noted that the RED Group has volunteered to look at the possibility of building condos on the site. He explained that, at the very least, his organization is willing to place a condo map on the site that would allow the rentals to become privately owned units if market conditions warranted the conversion in the future.

Mr. Laten explained that the RED Group is still willing to honor its original proposal but warned that interest rates are climbing, therefore, their proposal may not be the same if the city decides to send out another RFP.

Councilwoman Lukas expressed her belief that selling or holding the property is not in the best interest of the city. She stated her support of the RED Group's proposal while noting that the community supports the proposal also. She explained her belief that the developer has the experience and expertise to make the area a senior friendly, livable community. She felt that the project would help to revitalize the McDowell Road corridor.

City Attorney Pennartz confirmed for Vice Mayor O'Hearn that termination would be a requirement before proceeding with any of the proposed options. It would be consistent with Option B that would allow modifications of the proposals. He explained that developers could resubmit modifications to their proposal by substituting a builder or a commercial party. He stressed that it would be a proposal for Council to consider but would not be assignable as such.

COUNCILWOMAN LUKAS MOVED TO ACCEPT TREND HOMES' TERMINATION.
COUNCILMAN ORTEGA SECONDED THE MOTION WHICH CARRIED 7/0.

Councilman Ortega stated his belief that Council's decision on this project would anchor the neighborhood as a people place. He stressed that he has always advocated for senior housing as a component on the site. He noted that the RED Group's proposal would provide an opportunity for people to downsize to rental units while young families could purchase the vacant homes.

Vice Mayor O'Hearn pointed out that a survey was taken approximately two years ago where 70% of the people living within two miles of the former Smitty's site didn't support residential on the site. He questioned how the sentiment could have changed so drastically over such a short period of time and suggested that the city send out another RFP with a time limit of 60 days.

Councilman Silverman explained that he would support a proposal to place a combination of senior rentals and individually owned units on the site but would not support a motion to place only rental units on the site. He felt strongly that ownership is vital for the economic vitality of the site. Mr. Latent explained his group is proposing either ownership or rentals for the site due to its size.

Councilman Silverman pointed out that the law prohibits giving preference to seniors who live in the general area if rentals were placed on the site. He stressed that Scottsdale residents, therefore, wouldn't be given any preference in locating in the units.

Councilman Ecton explained that he felt bad for Trend Homes since they had went through the city's process only to terminate their agreement. He stated that he still continues to feel strongly that the best plan for the site should include an element of ownership. He noted that he is willing to support senior rentals on the site if there is also an element of ownership.

COUNCILMAN ORTEGA MOVED TO APPROVE THE RED GROUP AS THE RFP RESPONDENT BY GRANTING THE RED GROUP THE EXCLUSIVE RIGHT TO NEGOTIATE THROUGH AUGUST 25, 2003. COUNCILWOMAN LUKAS SECONDED THE MOTION WHICH CARRIED 4/3 (N.O., T.S., W.E.).

Public Comment - None

City Manager's Report - None

Mayor and Council Items - None

Adjournment

With no further business to discuss, Mayor Manross adjourned the meeting at 8:05 P.M.

SUBMITTED BY:

Ann Eyerly, Council Recorder

REVIEWED BY:

Sonia Robertson, City Clerk

C E R T I F I C A T E

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular City Council Meeting of the City Council of Scottsdale, Arizona held on the 31st day of March 2003.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this _____ day of March 2003.

SONIA ROBERTSON
City Clerk